

## Message Text

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PAGE 01 NICOSI 00810 231425Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 /021 W  
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R 231349Z MAR 77  
FM AMEMBASSY NICOSIA  
TO USDOC WASHDC  
INFO SECSTATE WASHDC 5550  
AMEMBASSY ATHENS

UNCLAS NICOSIA 0810

ATHENS FOR RTDO  
MAJOR PROJECT - FOR COMMERCE/MEPD

E.O. 11652: N/A  
TAGS: BENC, BEXP, BTIO, CY  
SUBJECT: UPDATE ON IBRD - FINANCED PROJECT - SECOND HIGHWAY  
PROJECT: NICOSIA-LIMASSOL ROAD

REF: (A) 10 FAM 164.1 (B) 76 NICOSIA 3313

1. BACKGROUND: AMERICAN ENGINEERING FIRM LOUIS BERGER INC. IN MAY 1974 WAS AWARDED FEASIBILITY STUDY CONTRACT BY GOC FOR IMPROVEMENT OF FIVE ROADS. WAR IN SUMMER 1974 FORCED CHANGE IN GOC HIGHWAY DEVELOPMENT PLANS; BERGER CONTRACT WAS AMENDED WITH EMPHASIS ON NEW NICOSIA-LIMASSOL HIGHWAY (BERGER FIRM WAS ALSO AWARDED WORK ON OTHER PROJECTS INCLUDING FEASIBILITY FOR EXTENSION OF PORTS OF LIMASSOL AND LARNACA, SEE REF.B). IN MARCH 1975 GOC AWARDED BERGER FIRM DETAILED ENGINEERING (FINAL DESIGN) CONTRACT FOR 75 KM NICOSIA-LIMASSOL HIGHWAY APPROVED CONSTRUCTION OF NEW 2-LANE HIGHWAY TO COST APPROX. \$25.7M (INCLUDES LAND ACQUISITION COST), OF WHICH \$13.6 M FORSEEN AS FOREIGN EXCHANGE COMPONENT. SINCE THEN GOC HAS OBTAINED TWO IBRD LOANS TOTALLING \$13.6 M TO COVER F/X COSTS INCLUDING CONTRACT SUPERVISION (ALSO AWARDED TO BERGER FIRM).

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2. RECENT DEVELOPMENTS: IN FEB. 1977 KUWAIT FUND REPRESENTATIVES HAD DISCUSSIONS IN NICOSIA WITH GOC CONCERNING POSSIBLE LOAN OF \$4M TO MAKE APPROX. 55 KM OF NICOSIA-LIMASSOL HIGHWAY FOUR LANES INSTEAD OF TWO LANES. UPGRADING TO FOUR LANES WILL BRING PROJECT COST UP TO \$35 M. GOC PUBLIC WORKS DIRECTOR EXPECTS \$4 M LOAN TO BE

FINALIZED SOON. GOC WILL FINANCE BALANCE OF REQUIREMENT.

3. TIMETABLE: FORTY INTERNATIONAL CONTRACTORS PRESENTLY SEEKING PRE-QUALIFICATION INCLUDING 3 CYPRIOT FIRMS, TWO OF WHICH ARE PRESENTLY CONSTRUCTING HIGHWAYS IN THE ARAB GULF. NO U.S. FIRMS FILED FOR PRE-QUALIFICATION. SHORT LISTING SCHEDULED FOR MAY AT WHICH TIME TENDERS WILL BE INVITED. BIDS TO BE PREPARED BY AUGUST. SELECTION OF CONTRACTOR(S) AND AWARDS END OF 1977. PROJECT COMPLETION END OF 1980.

4. POTENTIAL U.S. CONTRACTOR PARTICIPATION: AFTER CAREFUL EVALUATION OF PROJECT WITH ENGINEERING DESIGN FIRM, AND AFTER EXTENSIVE STUDY OF CYPRIOT CONTRACTOR CAPABILITY AS WELL AS REVIEW OF LIKELY FORMAT OF CALL FOR BIDS, EMBASSY COMMERCIAL OFFICER DECIDED IN SUMMER 1976 THAT LEVEL OF INTEREST PROJECT MIGHT HAVE FOR U.S. CONTRACTOR IS LOW, FOR FOLLOWING REASONS:

(A) RELATIVE SMALL SIZE OF PROJECT BASICALLY UNATTRACTIVE FOR U.S. OVERSEAS FIRMS EXCEPT AT (UNCOMPETITIVE) HIGH BID PRICES,

(B) GOC HAS EXPRESSED PREFERENCE FOR SPLITTING CONTRACT WORK INTO FOUR PARTS, FURTHER REDUCING LIKELY SIZE OF AWARDS GOING TO ANY ONE CONTRACTOR, AND

(C) HIGH PROBABILITY AWARDS WILL GO TO (LOW COST) LOCAL CONTRACTORS.

5. OPPORTUNITIES FOR U.S. BUSINESS: EMBASSY HAS BEEN IN UNCLASSIFIED

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CLOSE TOUCH WITH LOCAL AGENTS/REPRESENTATIVES OF U.S. HEAVY EQUIPMENT MANUFACTURERS TO ENSURE SUPPLIERS ARE READY TO OFFER FULL LINE OF CONSTRUCTION EQUIPMENT ONCE CONTRACTORS ARE CHOSEN. DEPENDING ON HOW MUCH EQUIPMENT CONTRACTORS BRING WITH THEM TO CYPRUS, CAPITAL EQUIPMENT PURCHASE FOR NICOSIA-LIMASSOL HIGHWAY MAY COME TO \$6.2 MILLION.

NOTE: CONTRACTS TO LOUIS BERGER INC. FOR HIGHWAY WORK ARE VALUED OVER \$1.1 M TO DATE.

6. COMMENT: ORIGINAL COST STUDY FOR PROJECT WAS MADE IN 1975 AND FIRST-HALF 1976. SINCE THEN CYPRIOT LABOR HAS BECOME SHORT SUPPLY (ESPECIALLY CONSTRUCTION LABOR) AND CERTAIN LOCAL COSTS HAVE INCREASED. WHILE GOC ENGINEER INFORMED EMBOFF IN JANUARY THAT PROJECT COST COULD INCREASE TO \$40M, PROJECT IS STILL NOT LIKELY TO BECOME ANY MORE ATTRACTIVE TO U.S. CONSTRUCTION FIRMS.

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